

**LAFOURCHE PARISH HOSPITAL
SERVICE DISTRICT NO. 2**

Raceland, Louisiana

Audited Financial Statements

Years Ended September 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/9/08

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Independent Auditor's Report

To the Board of Commissioners
Lafourche Parish Hospital Service District No. 2
Raceland, Louisiana

We have audited the accompanying balance sheets of Lafourche Parish Hospital Service District No. 2 (the District), a component unit of the Lafourche Parish Council, as of September 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafourche Parish Hospital Service District No. 2, as of September 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined to be necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink, appearing to read "Soltes, White, Gray & Neal".

A Professional Accounting Corporation

March 31, 2008

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
Balance Sheets
September 30, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 644,265	\$ 1,000
Note Receivable	7,054,945	7,054,945
Due from Ochsner St. Anne	11,482	48,815
Other	<u>419,148</u>	<u>114,513</u>
Total Current Assets	<u>8,129,840</u>	<u>7,219,273</u>
 Capital Assets, Net	 <u>3,125,695</u>	 <u>3,417,279</u>
 Total Assets	 <u><u>\$ 11,255,535</u></u>	 <u><u>\$ 10,636,552</u></u>

The accompanying notes are an integral part of these financial statements.

	2007	2006
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 10,219	\$ 31,740
Total Current Liabilities	<u>10,219</u>	<u>31,740</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,125,695	3,417,279
Unrestricted Net Assets	<u>8,119,621</u>	<u>7,187,533</u>
Total Net Assets	<u>11,245,316</u>	<u>10,604,812</u>
 Total Liabilities and Net Assets	 <u><u>\$ 11,255,535</u></u>	 <u><u>\$ 10,636,552</u></u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2**Statements of Revenues, Expenses, and Changes in Net Assets****Years Ended September 30, 2007 and 2006**

	2007	2006
Revenues		
Net Patient Service Revenue, Net of Provision for Bad Debts of \$-0- in 2007 and \$2,112,685 in 2006	\$ -	\$11,847,875
Other Operating Revenues	639,573	1,292,300
Total Revenues	639,573	13,140,175
Operating Expenses		
Salaries and Wages	-	5,899,777
Employee Benefits	-	1,450,787
Purchased Services	49,980	3,392,984
Supplies and Other	57,018	2,708,836
Depreciation and Amortization	291,584	803,400
Other Operating Expenses	-	9,087
Total Expenses	398,582	14,264,871
Income (Loss) from Operations	240,991	(1,124,696)
Non-Operating Revenues (Expenses)		
Investment Income - Plant Fund	-	36,242
Interest Revenue - Operating Fund	-	28,053
Interest Revenue - Working Capital	273,385	114,512
Interest Revenue - Debt Service Fund	-	3,837
Interest Expense - Plant Fund	-	(73,687)
Donations	-	1,000
Tax Proceeds - Operating Fund	126,128	127,133
Total Non-Operating Revenues	399,513	237,090
Change in Net Assets	640,504	(887,606)
Net Assets, Beginning of Year	10,604,812	11,492,418
Net Assets, End of Year	\$ 11,245,316	\$ 10,604,812

The accompanying notes are an integral part of these financial statements.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
Statements of Cash Flows
Years Ended September 30, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities		
Receipts from Patients, Third-Party Payors, and Other Operating Activities	\$ 340,531	\$ 12,208,897
Payments to Suppliers	(98,779)	(5,669,943)
Payments to Employees and for Employee-Related Costs	-	(7,350,564)
Net Cash Provided by (Used in) Operating Activities	243,752	(811,610)
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Taxes	126,128	126,986
Debt Service	-	147
Net Cash Provided by Non-Capital Financing Activities	126,128	127,133
Cash Flows from Investing Activities		
Investment Income	273,385	183,644
Decrease in Assets Whose Use is Limited	-	151,447
Net Cash Provided by Investing Activities	273,385	335,091
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	-	(150,498)
Interest Paid on Debt Obligations	-	(73,687)
Capital Expenditures Related to Construction in Progress	-	(15,611)
Transfer of Cash to Ochsner Bayou L.L.C. Under the Special Services Agreement (Note 5)	-	(420,825)
Net Cash Used in Capital and Related Financing Activities	-	(660,621)
Net Increase (Decrease) in Cash and Cash Equivalents	643,265	(1,010,007)
Cash and Cash Equivalents, Beginning of Year	1,000	1,011,007
Cash and Cash Equivalents, End of Year	\$ 644,265	\$ 1,000

The accompanying notes are an integral part of these financial statements.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
Statements of Cash Flows (Continued)
Years Ended September 30, 2007 and 2006

	2007	2006
Reconciliation of Loss from Operations to Net		
Cash Provided by (Used In) Operating Activities		
Income (Loss) from Operations	\$ 240,991	\$ (1,124,696)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash used in Provided by Operating Activities		
Amortization of Bond Costs	-	2,828
Depreciation	291,584	800,572
Provision for Bad Debts		2,112,685
Increase in Net Accounts Receivable		(2,789,923)
(Increase) in Estimated Third-Party Payor Settlements		(12,404)
(Increase) Decrease in Other Current Assets	(304,635)	610,579
Decrease (Increase) Due To/From Ochsner St. Anne	37,333	(48,815)
Increase in Inventory		(69,137)
Increase in Prepaid Expenses		(154,180)
(Decrease) in Accounts Payable	(21,521)	(96,468)
(Decrease) in Accrued Expenses		(42,651)
Net Cash Provided by (Used In) Operating Activities	<u>\$ 243,752</u>	<u>\$ (811,610)</u>
Supplemental Disclosures of Non-Cash Financing and Investing Activities		
Equity Loss in Bayou Labs of Louisiana, L.L.C.	<u>\$ -</u>	<u>\$ (203,369)</u>
Special Services Agreement (See Note 6)		
Working Capital Note Receivable from Ochsner Bayou L.L.C.	<u>\$ -</u>	<u>\$ 7,054,945</u>
Payment of Series 2000 Bond by Ochsner Bayou L.L.C.	<u>\$ -</u>	<u>\$ 3,000,000</u>
Capital Assets sold to Ochsner Bayou L.L.C.	<u>\$ -</u>	<u>\$ (1,906,273)</u>
Other Operating Assets sold to and Liabilities assumed by Ochsner Bayou L.L.C.	<u>\$ -</u>	<u>\$ (8,148,672)</u>

The accompanying notes are an integral part of these financial statements.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

Lafourche Parish Hospital Service District No. 2 (the District), is an acute care facility created pursuant to Louisiana Revised Statutes.

The administration of the District is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Council in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Council.

As the governing authority of the parish, for reporting purposes, the Lafourche Parish Council is the financial reporting entity for Lafourche Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the Council does not appoint a voting majority but is fiscally dependent on the Council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Council appoints all of the members of the District's governing board and has the ability to impose its will on the District, the District was determined to be a component unit of the Lafourche Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Lafourche Parish Council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounting Standards

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Net Assets

Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

Net Assets Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component of net assets consists of constraints placed on net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," as described above.

The District first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Costs of Borrowings

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Proprietary Fund Accounting

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Non-Direct Response Advertising

The District expenses advertising costs as incurred.

Note 2. Cash and Investments

Louisiana law allows all political subdivisions to invest excess funds in various obligations, including but not limited to, the following: obligations of the United States Treasury, federal agencies, and United States government instrumentalities; direct security repurchase agreements of the foregoing; time certificates of deposit of any bank domiciled or having a branch office in Louisiana; and the Louisiana Asset Management Pool (LAMP). State law also requires that deposits and investments of all political subdivisions be fully collateralized at all times.

At September 30, 2007 and 2006 deposits and investments are shown on the Balance Sheets as follows:

	<u>2007</u>	<u>2006</u>
Classified as:		
Current Assets - Cash	<u>\$ 644,265</u>	<u>\$ 1,000</u>
Total	<u>\$ 644,265</u>	<u>\$ 1,000</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 3. Capital Assets

Capital asset activity as of and for the years ended September 30, 2007 and 2006, is as follows:

	September 30, 2006	Additions	Transfers and Disposals	September 30, 2007
Capital Assets, Not Being Depreciated				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Construction in Progress	43,993	-	-	43,993
Total Capital Assets Not Being Depreciated	112,516	-	-	112,516
Capital Assets, Being Depreciated				
Land Improvements	309,253	-	-	309,253
Buildings	9,575,823	-	-	9,575,823
Equipment	8,767,120	-	-	8,767,120
Total Capital Assets Being Depreciated	18,652,196	-	-	18,652,196
Less Accumulated Depreciation for				
Land Improvements	182,157	15,932	-	198,089
Buildings	7,531,753	201,322	-	7,733,075
Equipment	7,633,523	74,330	-	7,707,853
Total Accumulated Depreciation	15,347,433	291,584	-	15,639,017
Total Capital Assets, Being Depreciated, Net	3,304,763	(291,584)	-	3,013,179
Capital Assets, Net	\$ 3,417,279	\$ (291,584)	\$ -	\$ 3,125,695

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 3. Capital Assets (Continued)

	September 30, 2007	Additions	Transfers and Disposals	September 30, 2006
Capital Assets, Not Being Depreciated				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Construction in Progress	28,382	15,611	-	43,993
Total Capital Assets Not Being Depreciated	96,905	15,611	-	112,516
Capital Assets, Being Depreciated				
Land Improvements	309,253	-	-	309,253
Buildings	10,888,814	-	(1,310,991)	9,575,823
Equipment	12,249,751	424,048	(3,906,679)	8,767,120
Total Capital Assets Being Depreciated	23,445,818	424,048	(5,217,670)	18,652,196
Less Accumulated Depreciation for				
Land Improvements	165,901	16,256	-	182,157
Buildings	7,936,790	452,340	(857,377)	7,531,753
Equipment	9,755,567	331,976	(2,454,020)	7,633,523
Total Accumulated Depreciation	17,858,258	800,572	(3,311,397)	15,347,433
Total Capital Assets, Being Depreciated, Net	5,587,560	(376,524)	(1,906,273)	3,304,763
Capital Assets, Net	\$ 5,684,465	\$ (360,913)	\$ (1,906,273)	\$ 3,417,279

Plant and equipment acquisitions are recorded at cost. The District's policy is to record acquisitions over \$500. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Note 4. Income Taxes

The District is a governmental unit, registered as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 5. Special Services Agreement

Effective May 1, 2006, the District entered into a Special Services Agreement (SSA) with Ochsner Bayou L.L.C. (Ochsner). The SSA provides that the District retains certain powers incident to its purposes as a hospital service district; that Ochsner shall at all times operate the facilities in conformity with the standards performance of the Joint Commission for the Accreditation of Healthcare Organizations; that Ochsner shall provide various management services; that Ochsner cannot discontinue services without the approval of the District; that Ochsner and the District must agree on the hospital's strategic plan; and, that Ochsner shall be entitled to bill and collect for all services performed at the hospital facilities. The SSA has an initial term of fifteen years with provisions for two additional fifteen year terms.

In accordance with the SSA, the District and Ochsner have entered into a lease agreement to facilitate the continuation of the provision of high quality health care services to residents of its district. The District leases (i) tracts of land; (ii) all buildings, structures, fixtures and improvements; (iii) servitudes; (iv) all equipment, machinery, fixtures, and other items of property. The initial term of the lease is fifteen years, with provisions for two additional fifteen year terms.

During the initial term of the lease, Ochsner shall pay to the District base rent in the amount of \$4.6 million for the use of the premises, which shall be due and payable on the last day of the initial term of the lease. In addition to the base rent, Ochsner shall accumulate an obligation to make capital expenditures for capital improvements to the hospital facilities in an amount not less than 35% of the first \$1 million of Adjusted Operating EBITDA, as defined, and not less than 50% of amounts in excess of \$1 million of Adjusted Operating EBITDA. Ochsner's obligation for capital improvements is not to exceed \$15 million in the aggregate.

Ochsner shall be entitled to credits against its initial rent obligation for all expenditures made to (i) implement program enhancements; (ii) make permanent capital improvements in excess of \$1 million; (iii) install or improve permanent information technology systems; and, (iv) maintain and upgrade hospital facilities in equipment but only in the case of that such costs are permitted to be capitalized in accordance with accounting principles generally accepted in the United States of America. Credits are also available for other items as defined in the agreement.

An Annex to the lease agreement provides for the sale, by the District to Ochsner, of certain assets, tangible and intangible, used in the operation of the hospital facilities and all related business operations of the District. As consideration for the sales of the listed assets, Ochsner agreed to pay the District an amount equal to the outstanding bond indebtedness. This amount totaled \$3 million. In addition, Ochsner agreed to pay the District an amount equal to the working capital, of the hospital facilities and the other business operations of the District, as of the Closing Date as defined in the Annex to the Lease Agreement. This additional amount will be paid in accordance with the terms of the working capital note that is discussed in Note 6.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes to Financial Statements

Note 6. Working Capital Note

As mentioned in Note 5, the District received a working capital note from Ochsner Bayou, L.L.C. The principal amount of this note \$7,054,945. The aggregate principal amount of this working capital note from time to time outstanding shall bear interest from the date hereof until paid in full at a fixed rate per annum equal to the United States federal tax-exempt bond rate. The principal amount of this working capital note, together with all interest then accrued hereon, shall be due and payable in full on May 1, 2011. At September 30, 2007 and 2006, accrued interest totaled \$387,898 and \$114,513, respectively, and is included within Other Receivables on the Balance Sheets.

Note 7. Rehab Hospital Settlement

In 2002, the construction of the Rehab Hospital was completed six months behind schedule. The building was found to be defective with moisture and other problems. The District had filed suit against the contractor for alleged breach of its contractual obligation. The litigation was resolved with the District being awarded a settlement of \$401,691 for damages to the Rehab building. The District is no longer liable to the contractor for the 5% retainer which was to be paid upon completion of the project. This settlement is included within Other Operating Revenue.



Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Commissioners
Lafourche Parish Hospital Service District No. 2
Raceland, Louisiana

We have audited the financial statements of Lafourche Parish Hospital Service District No. 2 as of and for the years ended September 30, 2007 and 2006, and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Lafourche Parish Hospital Service District No. 2's, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lafourche Parish Hospital Service District No. 2's, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lafourche Parish Hospital Service District No. 2's, internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We consider the significant deficiencies to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters, reported as finding 07-01 that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management of the District, and the Legislative Auditor of the State of Louisiana. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, likely representing the firm's name, written in a cursive style.

A Professional Accounting Corporation

March 31, 2008

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Schedule of Findings

For the Year Ended September 30, 2007

A. FINDINGS - FINANCIAL STATEMENT AUDIT

07-01

Condition: During the year ended September 30, 2007, the auditor was required to propose numerous journal entries to fairly state the financial statements of the District in all material respects.

Cause: The District experienced turnover within its finance department during the year ended September 30, 2007. The department had to transition responsibilities as a result.

Effect: The inability to prepare timely reconciliations and financial statements that are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States could result in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected through the Districts' internal control.

Recommendations: We recommend that management of the District provide training to its accounting personnel on the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Corrective Action: Management appreciates the importance that the financial statements contribute to internal control. Management has agreed to provide training to its accounting department team members, with specific attention being given to those areas that are new to the District and require additional instruction.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

Schedule of Findings

For the Year Ended September 30, 2007

A. FINDINGS - FINANCIAL STATEMENT AUDIT

1. Finding 2006-1 - Audit Report

We noted an instance of noncompliance regarding failure to submit the audited financial statements to the Office of the Legislative Auditor within six months of the close of the entity's fiscal year, as required by Louisiana Revised Statute 24:513.

Management Response and Corrective Action

The delay in the issuance of the audited financial statements was due to the agreement between the District and Ochsner Bayou L.L.C. The accounting department was responsible to perform accounting services for both the District and Ochsner St. Anne. This caused delays in the preparation of the financial statements. Subsequent to year end the District hired an outside accountant to perform the accounting services for the District.

Status: Corrected